

[Covering 45 Rebuilt Locomotives]

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LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of February 1, 1972, between CHICAGO AND NORTH WESTERN RAILWAY COMPANY, a Wisconsin corporation (herein called "Lessee") and BANKERS TRUST COMPANY, a New York banking and trust company, as Trustee under Trust Agreement hereinafter referred to (herein called "Lessor");

WHEREAS, the Lessor has purchased certain used railroad locomotives from NORTH WESTERN LEASING COMPANY (herein called "Seller") under a Hulk Purchase Agreement dated January 12, 1972 and has entered into a Rehabilitation Agreement dated as of January 12, 1972 with CHICAGO AND NORTH WESTERN RAILWAY COMPANY (herein, in such capacity, called "Railroad") for rehabilitation in the manner therein described.

WHEREAS, the Lessor has transferred to FIRST PENNSYLVANIA BANKING AND TRUST COMPANY, as Agent (herein called "Vendor") the security title in and to the Units;

WHEREAS, the Vendor has entered into a Reconstruction and Conditional Sale Agreement (herein called "Security Documents") dated as of February 1, 1972 with the Trustee and the Railroad restating the agreements as to the reconstruction and rehabilitation of the Units and providing for the reservation of security title in the Units in the Vendor, which obligation has been guaranteed by the Lessee; and

WHEREAS, the Lessee desires to lease all of the Units (more particularly described in Schedule A hereto) or such lesser number as are delivered and accepted and settled for under the Security Documents on or prior to December 31, 1972 at the rentals and upon the terms and conditions hereinafter provided;

SECTION 1. DEFINITIONS. The following terms shall, unless the context otherwise requires, have the following meanings for all purposes of this Lease.

“Acceptance Date” for a Unit shall mean the date as of which Lessee executes and delivers to the Lessor a Certificate of Acceptance with respect to such Unit.

“Acquisition Price” for any Unit shall have the meaning as set forth in Article 3 of the Security Documents provided the aggregate amount of the Acquisition Price for all the Units shall not exceed \$6,500,000.

“Affiliate” shall mean any person determined to be affiliated with the Lessee pursuant to the Interstate Commerce Act.

“Appraiser” shall have the meaning specified in Section 21 hereof.

“Bank” shall mean Continental Illinois National Bank and Trust Company of Chicago, and its successors and assigns.

“Basic Rent” shall mean the aggregate rent payable pursuant to Section 3(b) hereof with respect to each Unit for the period from November 1, 1972 to the end of the Lease Term for such Unit.

“Business Day” shall mean any day other than a Saturday, Sunday and any day which shall be a legal holiday or a day on which banking institutions in the City of New York are authorized by law to close.

“Casualty Occurrence” shall mean any of the following events with respect to any Unit: (i) such Unit shall be or become worn out, lost, stolen, destroyed, or in the opinion of the Vendor and the Lessor or Lessee becomes irreparably damaged or economically obsolete from any cause whatsoever; or (ii) such Unit shall be taken or requisitioned by condemnation or otherwise.

"Casualty Value" shall mean for each Unit an amount determined in accordance with Section 6 hereof.

"Certificate of Acceptance" shall mean an instrument substantially in the form of Exhibit A attached hereto to be duly completed and executed by Lessee stating, amongst other things, that Lessee has caused the Unit to be inspected by Lessee's inspector and that such Unit is acceptable to Lessee and has been marked in accordance with Section 4 hereof.

"Closing Date" shall have the meaning as set forth in Article 3 of the Security Documents.

"Event of Default" shall mean any of the events referred to in Section 13 hereof.

"Fair Market Value" shall have the meaning and shall be determined in accordance with the provisions of Section 21 hereof.

"Finance Agreement" shall mean the Finance Agreement dated as of the date hereof among the Vendor, the Railroad and the Investors, as said Finance Agreement may from time to time be amended or supplemented.

"Interim Rent" shall mean for each Unit the aggregate amount payable pursuant to Section 3(a) hereof for the period from (and including) the Acceptance Date for such Unit to (but not including) November 1, 1972.

"Investors" shall mean the parties named in Schedule A to the Finance Agreement.

"Lease Term" for any Unit shall mean the full term for which such Unit is leased hereunder pursuant to Section 2 hereof.

"Liens" shall mean liens, mortgages, encumbrances, pledges, charges and security interests of any kind.

“Reconstruction Cost” for any Unit shall have the meaning as set forth in Article 3 of the Security Documents.

“Rent” shall mean all Interim Rent, Basic Rent and Supplemental Rent.

“Security Documents” shall mean the Reconstruction and Conditional Sale Agreement dated as of February 1, 1972 among The First Pennsylvania Banking and Trust Company, as Agent under the Finance Agreement, Bankers Trust Company, as Trustee under the Trust Agreement, and Chicago and North Western Railway Company, as said Reconstruction and Conditional Sale Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified.

“Semiannual Payment Dates” shall mean May 1, 1973 and the first day of November and May thereafter to and including November 1, 1984.

“Supplemental Rent” shall mean all amounts, liabilities and obligations which Lessee assumes or agrees to pay hereunder to Lessor or others, including Casualty Value payments, but excluding Interim Rent and Basic Rent.

“Trust Agreement” shall mean the Trust Agreement dated as of January 12, 1972 between Lessor and Continental Illinois National Bank and Trust Company of Chicago, as Beneficiary as said Trust Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms of the Trust Agreement.

“Unit” shall mean any of the forty-five locomotives which are to be rehabilitated by the Railroad and which are to be leased hereunder by Lessee pursuant to the terms hereof and, subject to Section 11 hereof, any and all appliances, parts, instruments, appurtenances, accessories and

(b) "Indemnities for Loss of Investment Credit, Accelerated Depreciation Deductions or Interest Deductions." If the Bank, in computing its taxable income for any part of the Term of the Lease, (I) shall not be entitled to claim, shall lose the right to claim, or shall lose or there shall be disallowed or recaptured, any portion of the full 7% investment credit allowed by Section 38 of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter referred to as "the IRC"), with respect to 75% of the Acquisition Price of the Units, or (II) shall lose the benefit of any portion of depreciation deductions computed under the double declining balance method or the sum-of-the-years digits methods or such other method described or referred to in Section 167(b) of the IRC with respect to 75% of the Acquisition Price of the Units, or (III) shall lose the benefit of any portion of depreciation deductions computed under the 150% declining balance method with respect to 25% of the Acquisition Price of the Units, or (IV) shall not be entitled to depreciation deductions with respect to the Acquisition Price of the Units computed on the basis of a twelve year useful life under the class life system of depreciation provided in Section 167(m) of the IRC, or (V) shall be required to utilize a salvage value for the Units in excess of 15% of the Acquisition Price of such Units (after taking into account any reduction in gross salvage value permitted by Section 167(f) of the IRC) in computing its depreciation deductions, or (VI) shall lose the benefits of any portion of its interest deductions with respect to amounts paid or accrued as interest under the Security Documents under any circumstances or for any reason whatsoever (including, but not limited to (x) the occurrence of a change in or modification of law, including without limitation any change in or modification of applicable Treasury Regulations, (y) the "original use" of such Units not being treated as having

commenced with the Bank within the meaning of Section 167 or Section 48 of the IRC or (z) the entity created by the Trust Agreement not being treated as a grantor trust for Federal income tax purposes), the Lessee shall pay directly to the Bank (1) a sum which, after deduction of all taxes, fees or other charges required to be paid by the Bank in respect of the receipt of such sum under the laws of any Federal, state or local government or taxing authority in the United States, or under the laws of any taxing authority or governmental subdivision of a foreign country, shall be equal to the additional amounts and penalties (including any additions to tax because of underpayment of estimated tax) paid by the Bank in consequence of the occurrence of any of the events specified in clauses (I) through (VI) of this subparagraph (b), and (2) the amount of any interest which may be payable by the Bank in connection with the occurrence of any of such events, which amounts, except as otherwise provided in Section 5(c), shall be payable at such time as the tax and interest attributable to such loss is payable (but not later than 30 days after receipt by the Lessee of written notice from the Bank that such tax and interest has been paid or become payable); provided that the Lessee shall not be required to make such payments if any loss described herein results because of the occurrence of any of the following events:

(i) a voluntary transfer by the Trustee of legal title to the Units to anyone other than the Vendor (not including any transfer pursuant to Section 14 of this Lease) or a disposition by the Bank of any interest in the Units, if such transfer by the Trustee or such disposal by the Bank (A) shall be the direct cause of such loss, (B) shall occur at any time while the Units are leased under the Lease and none of the Events of Default listed in the Lease has occurred and is

continuing unremedied and (C) shall not be pursuant to the written consent of the Lessee;

(ii) an amendment of the Trust Agreement without the prior written consent of Lessee, if such amendment shall be the direct cause of such loss;

(iii) the failure of the Bank to have sufficient income or sufficient liability for tax to benefit from such credits or the deduction of such depreciation or interest;

(iv) the failure of the Bank to claim such credits or depreciation or interest deductions in its income tax returns for the appropriate year or to follow the proper procedure in claiming such credits or deductions in such tax returns for such year;

(v) the failure of the Bank to take timely action in contesting a claim made by the Internal Revenue Service with respect to the loss of such credits or depreciation or interest deductions pursuant to paragraph (c) of this Section 5;

provided, further, that if such loss results because of any change in or modification of law, including without limitation any change in or modification of applicable Treasury Regulations, the amounts required to be paid by the Lessee pursuant to clauses (1) and (2) above shall be reduced by one-half.

(c) "Contest of Disallowance of Tax Benefits." In the event a claim shall be made by the Internal Revenue Service which, if successful, would result in a loss of such investment credit or accelerated depreciation deduction with respect to the Units or such interest deduction under circumstances which would require the Lessee to indemnify for the

required to maintain such equipment in good operating condition and in compliance with any applicable requirements of law or of any federal, state or local governmental authority having jurisdiction, including, but not limited to (i) the interchange rules of the Association of American Railroads and (ii) all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units. Lessee will not permit any Unit to be used or operated in violation of any law or any rule, regulation or order of any such governmental authority having jurisdiction, unless the validity thereof is being contested in good faith and by appropriate proceedings, but only so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or interest therein.

SECTION 11. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS. (a) "Replacement of Parts". Except as otherwise provided in Section 11(b), Lessee, at its own expense, will promptly replace all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein for the purpose of this Section collectively called "Parts") which may from time to time be incorporated or installed in or attached to any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, provided that Lessee shall replace such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens and rights of others except for those created by the Security

Documents and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof.

All Parts at any time removed from any Unit shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Unit and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to a Unit as above provided, without further act, (i) title to the removed Part shall thereupon vest in such person as shall be designated by Lessee, free and clear of all rights of Lessor, (ii) title to such replacement Part shall thereupon vest in Lessor, and (iii) such replacement Part shall become subject to this Lease and be deemed part of such Unit, for all purposes hereof to the same extent as the Parts originally incorporated or installed in such Unit.

(b) "Alterations, Modifications and Additions". Lessee, at its own expense, shall make such alterations, modifications and additions (herein for the purpose of this Section collectively called "alterations") to the Units as may be required from time to time to meet the requirements of law or of any federal, state or local governmental authority having jurisdiction. In addition, Lessee, at its own expense, may from time to time make such alterations to each Unit as Lessee may deem desirable in the proper conduct of its business, *provided* that no such alteration diminishes the value, utility or condition of such Unit below the value, utility and condition thereof immediately prior to such alteration assuming such Unit was then in the condition required to be maintained by the terms of this Lease. Title to all Parts incorporated or installed in or attached to any Unit as the result of alterations shall, without further act, vest in Lessor

(except for Parts which are communications, signal and automatic control equipment or devices having a similar use which have been added to such Unit by the Lessee, the cost of which is not included in the Acquisition Price of such Unit and which Parts are not required pursuant to the terms of Section 10 hereof). Parts incorporated or installed in or attached to a Unit as a result of alterations and not deemed to be vested in Lessor may be removed by Lessee at any time prior to the return of such Unit to Lessor. At Lessor's request, Lessee at its expense shall remove before returning a Unit to Lessor any Part which Lessee is entitled to remove from such Unit pursuant hereto. Any Part which is not removed by Lessee shall become, without further act, the property of Lessor at the end of the Lease Term for such Unit.

SECTION 12. INDEMNIFICATION AND EXPENSES. (a) "General Indemnity." Lessee hereby agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor, the Bank, the Vendor, and their respective successors, assigns, agents, servants, officers and directors from and against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind and nature (for purposes of this Section 12 collectively called "Expenses"), imposed on, asserted against or reasonably incurred by Lessor, the Bank, the Vendor or any of their respective successors, assigns, agents, servants, officers and directors in any way relating to or arising out of this Lease, the Security Documents, the Trust Agreement, the Finance Agreement, the ordering, acquisition, ownership, delivery, lease, possession, use, operation, condition, sale or other disposition of any Unit (including without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringe-

(b) "Indemnities for Loss of Investment Credit, Accelerated Depreciation Deductions or Interest Deductions." If the Bank, in computing its taxable income for any part of the Term of the Lease, (I) shall not be entitled to claim, shall lose the right to claim, or shall lose or there shall be disallowed or recaptured, any portion of the full 7% investment credit allowed by Section 38 of the Internal Revenue Code of 1954, as amended to the date hereof (hereinafter referred to as "the IRC"), with respect to 75% of the Acquisition Price of the Units, or (II) shall lose the benefit of any portion of depreciation deductions computed under the double declining balance method or the sum-of-the-years digits methods or such other method described or referred to in Section 167(b) of the IRC with respect to 75% of the Acquisition Price of the Units, or (III) shall lose the benefit of any portion of depreciation deductions computed under the 150% declining balance method with respect to 25% of the Acquisition Price of the Units, or (IV) shall not be entitled to depreciation deductions with respect to the Acquisition Price of the Units computed on the basis of a twelve year useful life under the class life system of depreciation provided in Section 167(m) of the IRC, or (V) shall be required to utilize a salvage value for the Units in excess of 15% of the Acquisition Price of such Units (after taking into account any reduction in gross salvage value permitted by Section 167(f) of the IRC) in computing its depreciation deductions, or (VI) shall lose the benefits of any portion of its interest deductions with respect to amounts paid or accrued as interest under the Security Documents under any circumstances or for any reason whatsoever (including, but not limited to (x) the occurrence of a change in or modification of law, including without limitation any change in or modification of applicable Treasury Regulations, (y) the "original use" of such Units not being treated as having

commenced with the Bank within the meaning of Section 167 or Section 48 of the IRC or (z) the entity created by the Trust Agreement not being treated as a grantor trust for Federal income tax purposes), the Lessee shall pay directly to the Bank (1) a sum which, after deduction of all taxes, fees or other charges required to be paid by the Bank in respect of the receipt of such sum under the laws of any Federal, state or local government or taxing authority in the United States, or under the laws of any taxing authority or governmental subdivision of a foreign country, shall be equal to the additional amounts and penalties (including any additions to tax because of underpayment of estimated tax) paid by the Bank in consequence of the occurrence of any of the events specified in clauses (I) through (VI) of this subparagraph (b), and (2) the amount of any interest which may be payable by the Bank in connection with the occurrence of any of such events, which amounts, except as otherwise provided in Section 5(c), shall be payable at such time as the tax and interest attributable to such loss is payable (but not later than 30 days after receipt by the Lessee of written notice from the Bank that such tax and interest has been paid or become payable); provided that the Lessee shall not be required to make such payments if any loss described herein results because of the occurrence of any of the following events:

(i) a voluntary transfer by the Trustee of legal title to the Units to anyone other than the Vendor (not including any transfer pursuant to Section 14 of this Lease) or a disposition by the Bank of any interest in the Units, if such transfer by the Trustee or such disposal by the Bank (A) shall be the direct cause of such loss, (B) shall occur at any time while the Units are leased under the Lease and none of the Events of Default listed in the Lease has occurred and is

continuing unremedied and (C) shall not be pursuant to the written consent of the Lessee;

(ii) an amendment of the Trust Agreement without the prior written consent of Lessee, if such amendment shall be the direct cause of such loss;

(iii) the failure of the Bank to have sufficient income or sufficient liability for tax to benefit from such credits or the deduction of such depreciation or interest;

(iv) the failure of the Bank to claim such credits or depreciation or interest deductions in its income tax returns for the appropriate year or to follow the proper procedure in claiming such credits or deductions in such tax returns for such year;

(v) the failure of the Bank to take timely action in contesting a claim made by the Internal Revenue Service with respect to the loss of such credits or depreciation or interest deductions pursuant to paragraph (c) of this Section 5;

provided, further, that if such loss results because of any change in or modification of law, including without limitation any change in or modification of applicable Treasury Regulations, the amounts required to be paid by the Lessee pursuant to clauses (1) and (2) above shall be reduced by one-half.

(c) "Contest of Disallowance of Tax Benefits." In the event a claim shall be made by the Internal Revenue Service which, if successful, would result in a loss of such investment credit or accelerated depreciation deduction with respect to the Units or such interest deduction under circumstances which would require the Lessee to indemnify for the

required to maintain such equipment in good operating condition and in compliance with any applicable requirements of law or of any federal, state or local governmental authority having jurisdiction, including, but not limited to (i) the interchange rules of the Association of American Railroads and (ii) all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units. Lessee will not permit any Unit to be used or operated in violation of any law or any rule, regulation or order of any such governmental authority having jurisdiction, unless the validity thereof is being contested in good faith and by appropriate proceedings, but only so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or interest therein.

SECTION 11. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS. (a) "Replacement of Parts". Except as otherwise provided in Section 11(b), Lessee, at its own expense, will promptly replace all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein for the purpose of this Section collectively called "Parts") which may from time to time be incorporated or installed in or attached to any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, provided that Lessee shall replace such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens and rights of others except for those created by the Security

Documents and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof.

All Parts at any time removed from any Unit shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Unit and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to a Unit as above provided, without further act, (i) title to the removed Part shall thereupon vest in such person as shall be designated by Lessee, free and clear of all rights of Lessor, (ii) title to such replacement Part shall thereupon vest in Lessor, and (iii) such replacement Part shall become subject to this Lease and be deemed part of such Unit, for all purposes hereof to the same extent as the Parts originally incorporated or installed in such Unit.

(b) "Alterations, Modifications and Additions". Lessee, at its own expense, shall make such alterations, modifications and additions (herein for the purpose of this Section collectively called "alterations") to the Units as may be required from time to time to meet the requirements of law or of any federal, state or local governmental authority having jurisdiction. In addition, Lessee, at its own expense, may from time to time make such alterations to each Unit as Lessee may deem desirable in the proper conduct of its business, *provided* that no such alteration diminishes the value, utility or condition of such Unit below the value, utility and condition thereof immediately prior to such alteration assuming such Unit was then in the condition required to be maintained by the terms of this Lease. Title to all Parts incorporated or installed in or attached to any Unit as the result of alterations shall, without further act, vest in Lessor

(except for Parts which are communications, signal and automatic control equipment or devices having a similar use which have been added to such Unit by the Lessee, the cost of which is not included in the Acquisition Price of such Unit and which Parts are not required pursuant to the terms of Section 10 hereof). Parts incorporated or installed in or attached to a Unit as a result of alterations and not deemed to be vested in Lessor may be removed by Lessee at any time prior to the return of such Unit to Lessor. At Lessor's request, Lessee at its expense shall remove before returning a Unit to Lessor any Part which Lessee is entitled to remove from such Unit pursuant hereto. Any Part which is not removed by Lessee shall become, without further act, the property of Lessor at the end of the Lease Term for such Unit.

SECTION 12. INDEMNIFICATION AND EXPENSES. (a) "General Indemnity." Lessee hereby agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor, the Bank, the Vendor, and their respective successors, assigns, agents, servants, officers and directors from and against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind and nature (for purposes of this Section 12 collectively called "Expenses"), imposed on, asserted against or reasonably incurred by Lessor, the Bank, the Vendor or any of their respective successors, assigns, agents, servants, officers and directors in any way relating to or arising out of this Lease, the Security Documents, the Trust Agreement, the Finance Agreement, the ordering, acquisition, ownership, delivery, lease, possession, use, operation, condition, sale or other disposition of any Unit (including without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringe-

ment), except only that Lessee shall not be required to indemnify Lessor, the Bank, the Vendor or their respective successors, assigns, agents, servants, officers and directors for (i) expenses to be borne pursuant to the express provisions hereof by the party otherwise to be indemnified hereunder, (ii) expenses resulting from the wilful misconduct or gross negligence of the party otherwise to be indemnified hereunder, (iii) expenses resulting from the failure by the party otherwise to be indemnified hereunder to perform or observe any agreement in this Lease, the Security Documents, the Trust Agreement or the Finance Agreement or (iv) expenses incurred by Lessor, the Bank and the Vendor in connection with the preparation, execution and delivery of this Lease, the Trust Agreement, the Finance Agreement and the Security Documents or any amendments or waivers with respect thereto. If either party hereto shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the other party.

(b) "Particular Indemnity." Without limitation of Section 12(a), Lessee agrees to pay the fees and disbursements, if any, of Lessor in its capacity as Trustee under the Trust Agreement and Lessor hereunder, other than disbursements excluded from Lessee's indemnity in Section 12(a) hereof.

(c) "Payments, Survival and Other Provisions." All amounts payable by Lessee pursuant to this Section 12 shall be payable directly to the parties entitled to indemnification. All the indemnities contained in this Section 12 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the separate benefit of, and shall be separately enforceable by, Lessor, the Bank and the Vendor. Lessee's obligations under this Section 12 shall be that of primary obligor irrespective of whether the individual or

corporation indemnified shall also be indemnified with respect to the same matter under the Trust Agreement or the Security Documents or by any other person. Upon payment in full by Lessee of any indemnity contained in this Section 12, Lessee shall be subrogated to any rights of the individual or corporation indemnified in respect of the matter against which indemnity has been given. The indemnities in favor of the Lessor under this Section 12 shall inure to the benefit of the Lessor in its capacity as such and as Trustee under the Trust Agreement and under the Security Documents.

SECTION 13. EVENTS OF DEFAULT. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body or otherwise):

(a) Lessee shall fail to make any payment of Rent when the same shall become due and such failure shall continue unremedied for a period of ten days; or

(b) Lessee shall fail to maintain insurance with respect to the Units as required by Section 7 hereof, and such failure shall continue unremedied for a period of ten days after written notice thereof by Lessor; or

(c) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any Unit or any interest in this Lease or any Unit or shall permit, make or suffer any unauthorized transfer of possession of any Unit; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure shall con-

tinue unremedied for a period of 30 days after written notice thereof by Lessor; or

(e) Any representation or warranty made by Lessee herein or in any document or certificate furnished Lessor in connection herewith or pursuant hereto or in connection with the Security Documents or pursuant thereto shall prove to be incorrect at any time in any material respect; or

(f) Default shall be made by Lessee in the payment of any obligation for borrowed money or for the deferred purchase price of property when such obligation becomes due (other than by reason of acceleration) and the applicable grace period, if any, with respect thereto, as the same may be extended by consents or waivers, shall elapse; or default shall be made by Lessee in the faithful observance, performance and discharge of all the covenants, conditions and agreements which are imposed on Lessee by any and all indentures or other agreements securing or evidencing any obligation of Lessee for the payment of borrowed money or for the deferred purchase price of property, or pursuant to which any such obligation was issued, and such default shall have continued for a period sufficient to permit the acceleration of the maturity of such obligation and such maturity shall have been accelerated; or

(g) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Security Documents shall not have been duly as-

sumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(h) Any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Security Documents under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder or under the Security Documents) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee hereunder or under the Security Documents shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for its property in connection with any such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

SECTION 14. REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter so long as the

Closing Date as though made on and as of such date, (B) there exists no Event of Default or event which, with notice or lapse of time or both would become an Event of Default, (C) all taxes and transportation charges with respect to the purchase and leasing of the Units have been paid, and (D) that the insurance maintained by the Lessee complies with the terms of Section 7 of this Lease.

(f) The Lessor and the Bank shall have received a favorable opinion of the Vice President—Law of Chicago and North Western Railway Company, dated such Closing Date, addressed to and in form and substance satisfactory to the Lessor and the Bank, to the effect that: (i) the Lessee is a corporation duly organized and existing in good standing under the laws of the State of Wisconsin, and is duly qualified to do business wherever necessary to carry on its present business and operations; (ii) the Lessee has full power, authority and legal right to enter into and perform the Lease, the Finance Agreement and the Security Documents, and the execution, delivery and performance of such agreements have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, do not violate any judgment, order, law or regulation applicable to Lessee, and do not violate any provisions of Lessee's Certificate of Incorporation or By-Laws and, to the best knowledge and belief of such counsel after due inquiry, do not result in the breach of, or constitute a default under, or contravene any provisions of, or result in the creation of any lien, charge, encumbrance or security interest upon any assets (other than the Lessee's leasehold interest in the Units) of the Lessee under any indenture, agreement or

instrument to which the Lessee is a party or by which it or its assets may be bound or affected; (iii) the Lease, the Finance Agreement and the Security Documents constitute legal, valid and binding obligations of the Lessee enforceable in accordance with their respective terms subject as to enforceability to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally; (iv) to the best knowledge and belief of such counsel after due inquiry, except as set forth in a schedule furnished to Lessor, there are no suits or proceedings pending or threatened in any court or before any regulatory commission, board or other administrative governmental agency against or affecting the Lessee which, in the opinion of such counsel, will have a material adverse effect on the financial condition or business of Lessee; (v) neither the execution and delivery by the Lessee of the Lease, the Finance Agreement or the Security Documents, nor any of the transactions contemplated thereby require the consent, approval, or authorization, or the giving of notice to the Interstate Commerce Commission or any other governmental authority; (vi) except for the filing and recording with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act of the Lease, no recording or filing of the Lease, or of any financing statement with respect thereto, is necessary under the laws of the United States of America or any state thereof in order to protect the Lessor's title to, and interest in, any of the Units as against the Lessee and any third parties in any applicable jurisdictions within the United States; (vii) the Reconstruction Cost of the Units pursuant to the Security Documents constitutes "new section 38 property" as defined in the Internal Revenue Code of 1954, as amended; and (viii) registration of the Security Docu-

required to maintain such equipment in good operating condition and in compliance with any applicable requirements of law or of any federal, state or local governmental authority having jurisdiction, including, but not limited to (i) the interchange rules of the Association of American Railroads and (ii) all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units. Lessee will not permit any Unit to be used or operated in violation of any law or any rule, regulation or order of any such governmental authority having jurisdiction, unless the validity thereof is being contested in good faith and by appropriate proceedings, but only so long as such proceedings do not involve any danger of the sale, forfeiture or loss of any Unit or interest therein.

SECTION 11. REPLACEMENT OF PARTS; ALTERATIONS, MODIFICATIONS AND ADDITIONS. (a) "Replacement of Parts". Except as otherwise provided in Section 11(b), Lessee, at its own expense, will promptly replace all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein for the purpose of this Section collectively called "Parts") which may from time to time be incorporated or installed in or attached to any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In addition, in the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use, provided that Lessee shall replace such Parts as promptly as practicable. All replacement Parts shall be free and clear of all Liens and rights of others except for those created by the Security

Documents and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof.

All Parts at any time removed from any Unit shall remain the property of Lessor, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to such Unit and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to a Unit as above provided, without further act, (i) title to the removed Part shall thereupon vest in such person as shall be designated by Lessee, free and clear of all rights of Lessor, (ii) title to such replacement Part shall thereupon vest in Lessor, and (iii) such replacement Part shall become subject to this Lease and be deemed part of such Unit, for all purposes hereof to the same extent as the Parts originally incorporated or installed in such Unit.

(b) "Alterations, Modifications and Additions". Lessee, at its own expense, shall make such alterations, modifications and additions (herein for the purpose of this Section collectively called "alterations") to the Units as may be required from time to time to meet the requirements of law or of any federal, state or local governmental authority having jurisdiction. In addition, Lessee, at its own expense, may from time to time make such alterations to each Unit as Lessee may deem desirable in the proper conduct of its business, *provided* that no such alteration diminishes the value, utility or condition of such Unit below the value, utility and condition thereof immediately prior to such alteration assuming such Unit was then in the condition required to be maintained by the terms of this Lease. Title to all Parts incorporated or installed in or attached to any Unit as the result of alterations shall, without further act, vest in Lessor

(except for Parts which are communications, signal and automatic control equipment or devices having a similar use which have been added to such Unit by the Lessee, the cost of which is not included in the Acquisition Price of such Unit and which Parts are not required pursuant to the terms of Section 10 hereof). Parts incorporated or installed in or attached to a Unit as a result of alterations and not deemed to be vested in Lessor may be removed by Lessee at any time prior to the return of such Unit to Lessor. At Lessor's request, Lessee at its expense shall remove before returning a Unit to Lessor any Part which Lessee is entitled to remove from such Unit pursuant hereto. Any Part which is not removed by Lessee shall become, without further act, the property of Lessor at the end of the Lease Term for such Unit.

SECTION 12. INDEMNIFICATION AND EXPENSES. (a) "General Indemnity." Lessee hereby agrees to assume liability for, and does hereby agree to indemnify, protect, save and keep harmless Lessor, the Bank, the Vendor, and their respective successors, assigns, agents, servants, officers and directors from and against, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and expenses, of whatsoever kind and nature (for purposes of this Section 12 collectively called "Expenses"), imposed on, asserted against or reasonably incurred by Lessor, the Bank, the Vendor or any of their respective successors, assigns, agents, servants, officers and directors in any way relating to or arising out of this Lease, the Security Documents, the Trust Agreement, the Finance Agreement, the ordering, acquisition, ownership, delivery, lease, possession, use, operation, condition, sale or other disposition of any Unit (including without limitation, latent and other defects, whether or not discoverable by Lessor or Lessee, and any claim for patent, trademark or copyright infringe-

ment), except only that Lessee shall not be required to indemnify Lessor, the Bank, the Vendor or their respective successors, assigns, agents, servants, officers and directors for (i) expenses to be borne pursuant to the express provisions hereof by the party otherwise to be indemnified hereunder, (ii) expenses resulting from the wilful misconduct or gross negligence of the party otherwise to be indemnified hereunder, (iii) expenses resulting from the failure by the party otherwise to be indemnified hereunder to perform or observe any agreement in this Lease, the Security Documents, the Trust Agreement or the Finance Agreement or (iv) expenses incurred by Lessor, the Bank and the Vendor in connection with the preparation, execution and delivery of this Lease, the Trust Agreement, the Finance Agreement and the Security Documents or any amendments or waivers with respect thereto. If either party hereto shall have knowledge of any claim or liability hereby indemnified against, it shall give prompt written notice thereof to the other party.

(b) "Particular Indemnity." Without limitation of Section 12(a), Lessee agrees to pay the fees and disbursements, if any, of Lessor in its capacity as Trustee under the Trust Agreement and Lessor hereunder, other than disbursements excluded from Lessee's indemnity in Section 12(a) hereof.

(c) "Payments, Survival and Other Provisions." All amounts payable by Lessee pursuant to this Section 12 shall be payable directly to the parties entitled to indemnification. All the indemnities contained in this Section 12 shall continue in full force and effect notwithstanding the expiration or other termination of this Lease and are expressly made for the separate benefit of, and shall be separately enforceable by, Lessor, the Bank and the Vendor. Lessee's obligations under this Section 12 shall be that of primary obligor irrespective of whether the individual or

corporation indemnified shall also be indemnified with respect to the same matter under the Trust Agreement or the Security Documents or by any other person. Upon payment in full by Lessee of any indemnity contained in this Section 12, Lessee shall be subrogated to any rights of the individual or corporation indemnified in respect of the matter against which indemnity has been given. The indemnities in favor of the Lessor under this Section 12 shall inure to the benefit of the Lessor in its capacity as such and as Trustee under the Trust Agreement and under the Security Documents.

SECTION 13. EVENTS OF DEFAULT. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body or otherwise):

(a) Lessee shall fail to make any payment of Rent when the same shall become due and such failure shall continue unremedied for a period of ten days; or

(b) Lessee shall fail to maintain insurance with respect to the Units as required by Section 7 hereof, and such failure shall continue unremedied for a period of ten days after written notice thereof by Lessor; or

(c) Lessee shall make or permit any unauthorized assignment or transfer of this Lease or any Unit or any interest in this Lease or any Unit or shall permit, make or suffer any unauthorized transfer of possession of any Unit; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure shall con-

tinue unremedied for a period of 30 days after written notice thereof by Lessor; or

(e) Any representation or warranty made by Lessee herein or in any document or certificate furnished Lessor in connection herewith or pursuant hereto or in connection with the Security Documents or pursuant thereto shall prove to be incorrect at any time in any material respect; or

(f) Default shall be made by Lessee in the payment of any obligation for borrowed money or for the deferred purchase price of property when such obligation becomes due (other than by reason of acceleration) and the applicable grace period, if any, with respect thereto, as the same may be extended by consents or waivers, shall elapse; or default shall be made by Lessee in the faithful observance, performance and discharge of all the covenants, conditions and agreements which are imposed on Lessee by any and all indentures or other agreements securing or evidencing any obligation of Lessee for the payment of borrowed money or for the deferred purchase price of property, or pursuant to which any such obligation was issued, and such default shall have continued for a period sufficient to permit the acceleration of the maturity of such obligation and such maturity shall have been accelerated; or

(g) A petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may be hereafter amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Security Documents shall not have been duly as-

sumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(h) Any other proceedings shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder or under the Security Documents under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder or under the Security Documents) and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee hereunder or under the Security Documents shall not have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed for the Lessee or for its property in connection with any such proceedings (whether or not subject to ratification) in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

SECTION 14. REMEDIES. Upon the occurrence of any Event of Default and at any time thereafter so long as the

Closing Date as though made on and as of such date, (B) there exists no Event of Default or event which, with notice or lapse of time or both would become an Event of Default, (C) all taxes and transportation charges with respect to the purchase and leasing of the Units have been paid, and (D) that the insurance maintained by the Lessee complies with the terms of Section 7 of this Lease.

(f) The Lessor and the Bank shall have received a favorable opinion of the Vice President—Law of Chicago and North Western Railway Company, dated such Closing Date, addressed to and in form and substance satisfactory to the Lessor and the Bank, to the effect that: (i) the Lessee is a corporation duly organized and existing in good standing under the laws of the State of Wisconsin, and is duly qualified to do business wherever necessary to carry on its present business and operations; (ii) the Lessee has full power, authority and legal right to enter into and perform the Lease, the Finance Agreement and the Security Documents, and the execution, delivery and performance of such agreements have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, do not violate any judgment, order, law or regulation applicable to Lessee, and do not violate any provisions of Lessee's Certificate of Incorporation or By-Laws and, to the best knowledge and belief of such counsel after due inquiry, do not result in the breach of, or constitute a default under, or contravene any provisions of, or result in the creation of any lien, charge, encumbrance or security interest upon any assets (other than the Lessee's leasehold interest in the Units) of the Lessee under any indenture, agreement or

instrument to which the Lessee is a party or by which it or its assets may be bound or affected; (iii) the Lease, the Finance Agreement and the Security Documents constitute legal, valid and binding obligations of the Lessee enforceable in accordance with their respective terms subject as to enforceability to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally; (iv) to the best knowledge and belief of such counsel after due inquiry, except as set forth in a schedule furnished to Lessor, there are no suits or proceedings pending or threatened in any court or before any regulatory commission, board or other administrative governmental agency against or affecting the Lessee which, in the opinion of such counsel, will have a material adverse effect on the financial condition or business of Lessee; (v) neither the execution and delivery by the Lessee of the Lease, the Finance Agreement or the Security Documents, nor any of the transactions contemplated thereby require the consent, approval, or authorization, or the giving of notice to the Interstate Commerce Commission or any other governmental authority; (vi) except for the filing and recording with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act of the Lease, no recording or filing of the Lease, or of any financing statement with respect thereto, is necessary under the laws of the United States of America or any state thereof in order to protect the Lessor's title to, and interest in, any of the Units as against the Lessee and any third parties in any applicable jurisdictions within the United States; (vii) the Reconstruction Cost of the Units pursuant to the Security Documents constitutes "new section 38 property" as defined in the Internal Revenue Code of 1954, as amended; and (viii) registration of the Security Docu-

ments or any interest therein held by the Investors or of the interest of the Bank in the Trust are exempted transactions under the Securities Act of 1933 as amended and it is not necessary to qualify the Security Documents or the Trust Agreement under the Trust Indenture Act of 1939 as amended. In giving his opinion specified in (vii) above, such counsel may rely on the opinion of Messrs. White & Case given pursuant to Subsection (h) of this Section 26, and in giving his opinion specified in (viii) above, such counsel may rely on the opinion of Messrs. Cravath, Swaine & Moore given pursuant to Subsection (j) of this Section 26.

(g) The Bank shall have received a favorable opinion from Messrs. White & Case, as counsel for the Lessor, dated such Closing Date, addressed to and in form and substance satisfactory to the Bank, to the effect that: (i) Lessor has full power, authority and legal right to execute, deliver and perform the Trust Agreement, the Lease, the Certificate of Acceptance covering such Units and the Security Documents; (ii) the documents referred to in (i) above have been duly authorized, executed and delivered by the Lessor; (iii) the execution and delivery of the documents referred to in (i) above by the Lessor does not violate the charter or by-laws of the Lessor or any Federal or New York State laws or regulations governing the banking or trust powers of the Lessor or, to the best knowledge and belief of such counsel after due inquiry, of any indenture, agreement, or other instrument, license, judgment or order applicable to the Lessor; (iv) no approval, consent, order, authorization, registration or notice is required (except as shall have been duly obtained or given, specifying the same) for the carrying out by the Lessor of any of the transactions con-

templated by the agreements referred to in (i) above or by any (X) Federal governmental authority or agency pursuant to any Federal law governing the banking or trust powers of the Lessor or (Y) New York State governmental authority or agency pursuant to New York State banking law; and (v) such other matters incident to the foregoing as the Bank may reasonably request.

(h) The Bank shall have received a favorable opinion of Messrs. White & Case, as special tax counsel to the Bank, dated such Closing Date, addressed to and in form and substance satisfactory to the Bank, to the effect that for federal income tax purposes: (i) the Lease will be treated as a lease under which Chicago and North Western Railway Company will be the lessee and the Bank will be the owner and the lessor of the Units; (ii) the Bank will be treated as the original user of the Units to the extent of that portion of the Acquisition Price of such Units which is properly attributable to the Reconstruction Cost incurred after the Bank acquired the Units; (iii) the Reconstruction Cost will qualify as "new section 38 property" for purposes of investment credit and the Bank is entitled to claim the investment credit under Section 38 of the Internal Revenue Code of 1954, as amended (the "Code") and the regulations thereunder, subject to the limitations of Section 46(a)(2) of the Code; (iv) the Bank will be entitled to elect to use any of the methods of accelerated depreciation described in Section 167(b)(2) or (3) of the Code with respect to that portion of the Acquisition Price of any Unit which constitutes the Reconstruction Cost and the original use of which is considered to commence with the Bank as described above in clause (ii); (v) the Bank will be entitled to depreciation deductions under any allowable method other than accelerated methods

for that portion of the Acquisition Price of any Unit for which the original use is not deemed to have commenced with the Bank and which does not qualify for the investment credit and (vii) the Bank will be entitled to deductions for interest payable by it pursuant to the Security Documents.

(i) The Lessor and the Bank shall have received a favorable opinion of the Vice President—Law of the Seller, dated such Closing Date, addressed to and in form and substance satisfactory to the Lessor and the Bank to the effect that: (i) Seller has the full power, authority and legal right to enter into and perform the the Hulk Purchase Agreement and it constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with the terms thereof subject as to enforceability to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, (ii) the Seller's Bills of Sale for each Unit constitute effective instruments for the conveyance of title for such Unit to the Lessor, (iii) good and marketable title to the hulks has been duly conveyed by Seller to Lessor under the Hulk Purchase Agreement prior to the commencement of reconstruction of the hulks, and (iv) good and marketable title to such Units has been duly conveyed by Seller to the Lessor free and clear of all charges, encumbrances, claims and security interests of any kind.

(j) The Bank shall have received a copy of the opinion of Messrs. Cravath, Swaine & Moore, as special counsel for the Vendor and the Investors, in form and substance as required by Article 3 of the Security Documents.

(k) All proceedings and documents in connection with the transactions contemplated by this Lease shall

be satisfactory in form and substance to the Bank and its counsel and the Bank and its counsel shall have received counterparts or copies of all such documents together with such other evidence as the Bank or such counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Lease and compliance with the conditions set forth in this Section.

In the event of any assignment by Lessee pursuant to Section 19, the conditions to be met and the opinions prescribed in this Section 26 may be accomplished by the assignee and its appropriate officers, and such conditions and opinions may reflect such changes as may be appropriate due to such assignment.

SECTION 27. NOTICES. All notices required under the terms and provisions hereof shall be in writing, and any such notice shall become effective when delivered or deposited in the United States mail, with proper postage for certified mail prepaid, addressed, if to Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention: Vice President—Finance, and if to Lessor addressed to it at its office at 16 Wall Street, New York, New York 10015, Attention: Corporate Trust Division, or, as to either party, at such other address as such party shall from time to time designate in writing to the other party. Copies of all such notices shall be mailed to the Bank at 231 South LaSalle Street, Chicago, Illinois 60093, Attention: Terrence J. Bruggeman.

SECTION 28. MISCELLANEOUS. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without in-

validating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect or which might require Lessor to mitigate damages other than as expressly provided herein. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in any Unit except as a Lessee only. All computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of a 360-day year. The captions in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance. Although this Lease is dated as of February 1, 1972 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed
or caused this instrument to be executed all as of the date
first above written.

CHICAGO AND NORTH WESTERN RAILWAY
COMPANY,

By *[Signature]*
Vice President

[CORPORATE SEAL]

Attest:

..... *[Signature]*
Assistant Secretary

BANKERS TRUST COMPANY, as Trustee

By *[Signature]*
Vice President

[CORPORATE SEAL]

Attest:

..... *[Signature]*
Assistant Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } ss.:

On this 9th day of May, 1972, before me personally appeared J. M. Butler, to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

..... F. J. Brey
Notary Public

My Commission expires May 19, 1974

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 1st day of May, 1972, before me personally appeared John J. Brennan, to me personally known, who, being by me duly sworn, says that he is a Vice President of BANKERS TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

..... Phyllis Buckner
Notary Public

My Commission expires

PHYLLIS BUCKNER
Notary Public, State of New York
No. 22-000-1000
Qualified in 1967
Certificate filed in 1967
Commission Expires March 20, 1972

SCHEDULE A TO LEASE AGREEMENT

Quantity	Description of Equipment	Railroad's Road Numbers (inclusive) *	Hulk Purchase Price		Base Reconstruction Cost		Purchase Price	
			Per Unit	Total	Per Unit	Total	Per Unit	Total
10	EMD- Diesel F7 Locomotives	415, 417-425	\$22,000	\$ 220,000	\$113,741.90	\$1,137,419	\$135,741.90	\$1,357,419
9	EMD- Diesel GP9R Locomotives	4301-4309	40,000	360,000	106,255.33	956,298	146,255.33	1,316,298
3	EMD- Diesel GP9 Locomotives	4501-4503	45,000	135,000	106,255.33	318,766	151,255.33	453,766
7	EMD- Diesel GP9 Locomotives	4320-4326	45,000	315,000	98,865.28	692,057	143,865.28	1,007,057
6	EMD- Diesel SD7 Locomotives	6616-6621	40,000	240,000	120,665.50	723,993	160,665.50	963,993
10	EMD- Diesel GP7 Locomotives	4310-4319	35,000	350,000	105,146.70	1,051,467	140,146.70	1,401,467
				<u>\$1,620,000</u>		<u>\$4,880,000</u>		<u>\$6,500,000</u>

SECTION 20. NO SET-OFF, COUNTERCLAIM, ETC. All Rent, except such Rent which is otherwise directly payable to the Bank or the Vendor under the terms of this Lease, shall be paid by Lessee by wire in federal funds prior to 11:00 A.M. New York time on the day immediately preceding the date Rent is due hereunder, to Lessor at its office at 16 Wall Street, New York, New York 10015, Attention: Corporate Trust Division (or to such other person or at such other place as Lessor shall from time to time designate in writing to Lessee). This Lease is a net lease and Lessee's obligation to pay all Rent payable hereunder shall be absolute and unconditional and all such Rent shall be paid notwithstanding any circumstances, including, without limitation (i) any matters of abatement, set-off, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, the Bank, the Vendor or anyone else for any reason whatsoever, (ii) any defect in the title, compliance with specifications, condition, design, operation, or fitness for use of, or any damage to or loss or destruction of, any Unit or an interruption or cessation in the use or possession thereof by Lessee for any reason whatsoever, or (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each Rent payment made by Lessee shall be final and Lessee will not seek to recover all or any part of such payment from Lessor for any reason whatsoever.

SECTION 21. PURCHASE OPTION. (a) "Purchase Option". If no Event of Default (or other event which after lapse of time or notice or both would become an Event of

Default) shall have occurred and be continuing and this Lease shall not have been earlier terminated, Lessee may, by written notice delivered to Lessor not less than nine months prior to the expiration of the Lease Term, advise the Lessor that it may elect, but shall have no obligation to elect, to purchase all, but not less than all, the Units subject to this Lease at the end of the Lease Term at a price equal to the Fair Market Value of such Units at the end of such Term, and request a determination of such value. On the date of such purchase Lessor shall transfer title to such Units to Lessee without any representation or warranty except that such Units are free of Liens (other than liens which Lessee is required to discharge hereunder) resulting from acts of or claims against Lessor, together with such documents evidencing transfer of title as Lessee shall reasonably request.

(b) "Determination of Fair Market Value". Upon Lessee giving notice as provided in Subsection (a) and thereafter, Lessor and Lessee shall consult for the purpose of determining the Fair Market Value of the Units as of the end of such Term, and any value agreed upon in writing shall constitute such Fair Market Value for the purposes of this Section. Fair Market Value shall be determined on the basis of, and shall be equal in amount to, the value which would obtain in an arm's-length transaction between an informed and willing buyer-user (other than (i) a lessee currently in possession and (ii) a used equipment dealer) and an informed and willing seller and, in such determination, costs of removal from the location of current use shall not be a deduction from such value. If Lessor and Lessee fail to agree upon such value prior to six months before the expiration of such Term, Lessee may request that such value shall be determined by a qualified Appraiser. The term Appraiser shall mean a qualified independent equip-

ment appraiser as the Lessor and the Lessee may mutually agree upon, or failing such agreement within 20 business days after Lessee's request, a panel of three qualified independent equipment appraisers, one selected by the Lessor, the second by the Lessee and the third to be designated by the first two selected. The Appraiser shall be instructed to determine the Fair Market Value within 30 days following appointment and shall promptly communicate such determination in writing to the Lessor and Lessee. The determination so made shall be final, conclusive and binding upon the Lessor and Lessee. Provided that the Lessee is not in default hereunder, the Lessee may, by written notice delivered to the Lessor not more than ten business days following communication to the Lessee of such determination by the Appraiser, elect to purchase all, but not fewer than all the Units for a price equal to the Fair Market Value thereof as so determined. The Lessee agrees to pay, and hold Lessor harmless from, the expenses, fees and costs of the Appraiser whether or not it elects to purchase such Units.

SECTION 22. RECORDING. The Lessee will cause this Lease, any assignment hereof and any amendments or supplements hereto to be filed and recorded in accordance with Section 20c of the Interstate Commerce Act. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Security Documents and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit, record (and will refile, reregister and redeposit or re-record whenever required) all further instruments required by law or reasonably requested by the Lessor or the Vendor for the purpose of proper protection, to their satisfaction, of the Vendor's and the Lessor's respective interests in the Units, or for the purpose of carrying out

the intention of this Lease or the Security Documents; and the Lessee will promptly furnish to the Vendor and the Lessor evidences of all such filing, registering, depositing or recording, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Vendor and the Lessor. All action required by this section shall be at the Lessee's expense.

SECTION 23. LESSOR'S RIGHT TO PERFORM FOR LESSEE. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the rate of 10% per annum, shall be deemed Supplemental Rent, payable by Lessee upon demand.

SECTION 24. FURTHER ASSURANCES. Lessee will promptly and duly execute and deliver to Lessor such documents and assurances and take such further action as Lessor may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder, including, without limitation, if requested by Lessor, at the expense of Lessee, the recording or filing of counterparts hereof, or of such other documents with respect hereto, in accordance with the laws of such jurisdictions, as Lessor may from time to time reasonably request and furnish to Lessee.

SECTION 25. SUCCESSOR TRUSTEE; CO-TRUSTEE. In the case of the appointment of any successor trustee pursuant to the terms of the Trust Agreement, such successor trustee shall, upon written notice by such successor trustee to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor and the legal owner of the Units for all purposes hereof. The Trustee or any successor trustee from time to time serving as Lessor hereunder may from time to time appoint one or more co-trustees or separate trustees pursuant to the terms of the Trust Agreement to exercise or hold any or all of the rights, powers and title of Lessor hereunder. No such appointment of any successor trustee, co-trustee or separate trustee shall require any consent or approval by Lessee or shall in any way alter the terms of this Lease or Lessee's obligations hereunder. The appointment of one successor trustee, co-trustee or separate trustee shall not exhaust the right to appoint further successor trustees, co-trustees and separate trustees pursuant to the Trust Agreement, but such right may be exercised repeatedly as long as this Lease may be in effect.

SECTION 26. CONDITIONS TO OBLIGATIONS OF LESSOR. The obligations of the Lessor to purchase the Units in accordance with the terms of Article 3 of the Security Documents and to lease such Units to the Lessee hereunder are subject to the fulfillment of the following conditions precedent at the time of any Closing Date with respect to such Units:

- (a) No change shall have occurred after the date of this Lease in applicable law or regulations thereunder or interpretations thereof which would make it illegal for the Bank to make such investment;

(b) The Lease, the Trust Agreement, the Finance Agreement and the Security Documents shall have been duly executed and delivered by the parties thereto and shall be in full force and effect;

(c) The representations and warranties of the Lessee contained in Section 16 hereof shall be true and correct on and as of such Closing Date with the same effect as though made on and as of such Closing Date. At such Closing Date there shall be no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default;

(d) Lessor shall have received the following documents with respect to each Unit settled for on such Closing Date, in form and substance satisfactory to Lessor, and unless otherwise indicated, dated the date of such Closing Date and addressed to and/or in favor of the Lessor:

(i) a Bill of Sale for such Unit executed by the Seller and dated the date of sale of such Unit to the Lessor;

(ii) an invoice of the Seller for the purchase price of such Unit pursuant to the Hulk Purchase Agreement;

(iii) an invoice of the Railroad for the Reconstruction Cost of such Unit, such invoice accompanied by or having endorsed thereon a certification by the Railroad as to the correctness of the prices stated therein;

(iv) a Certificate of Acceptance for such Unit, dated as of the Acceptance Date for such Unit, in full force and effect as of the Closing Date.

(e) The Lessor shall have received two counterparts of the following documents (one for Lessor and

one for the Bank) with respect to each Unit settled for on such Closing Date, in each case in form and substance satisfactory to the Lessor and the Bank, and, unless otherwise indicated, addressed to both the Lessor and the Bank, and dated the date of such Closing Date:

(i) A certificate of the Chief Mechanical Officer of the Railroad that the estimated useful life of such Unit will be at least 15 years from the Acceptance Date of such Unit and that at the end of the Lease Term the fair market value of such Unit will be at least 15% of such Unit's Acquisition Price.

(ii) A certificate of Alex Kerr (A) that such Unit, as rehabilitated and reconstructed, conforms to and complies with the standards of the Association of American Railroads and the Department of Transportation, (B) that the Reconstruction Cost of such Unit constitutes not less than 75% of the Acquisition Price of such Unit, (C) that the present market value of the Unit is not less than the Acquisition Price for such Unit, and (D) and such other information as the Bank may reasonably request in order to substantiate for Federal income tax purposes that the Reconstruction Cost constitutes "new section 38 property".

(iii) A counterpart of this Lease and all other documents required to be filed in connection with this transaction indicating thereon that such documents have been filed and recorded in accordance with Section 20c of the Interstate Commerce Act.

(iv) A certificate signed by the Vice President—Finance of the Lessee stating that: (A) the representations and warranties contained in Section 16 of this Lease are true and correct on and as of such

Closing Date as though made on and as of such date, (B) there exists no Event of Default or event which, with notice or lapse of time or both would become an Event of Default, (C) all taxes and transportation charges with respect to the purchase and leasing of the Units have been paid, and (D) that the insurance maintained by the Lessee complies with the terms of Section 7 of this Lease.

(f) The Lessor and the Bank shall have received a favorable opinion of the Vice President—Law of Chicago and North Western Railway Company, dated such Closing Date, addressed to and in form and substance satisfactory to the Lessor and the Bank, to the effect that: (i) the Lessee is a corporation duly organized and existing in good standing under the laws of the State of Wisconsin, and is duly qualified to do business wherever necessary to carry on its present business and operations; (ii) the Lessee has full power, authority and legal right to enter into and perform the Lease, the Finance Agreement and the Security Documents, and the execution, delivery and performance of such agreements have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, do not violate any judgment, order, law or regulation applicable to Lessee, and do not violate any provisions of Lessee's Certificate of Incorporation or By-Laws and, to the best knowledge and belief of such counsel after due inquiry, do not result in the breach of, or constitute a default under, or contravene any provisions of, or result in the creation of any lien, charge, encumbrance or security interest upon any assets (other than the Lessee's leasehold interest in the Units) of the Lessee under any indenture, agreement or

instrument to which the Lessee is a party or by which it or its assets may be bound or affected; (iii) the Lease, the Finance Agreement and the Security Documents constitute legal, valid and binding obligations of the Lessee enforceable in accordance with their respective terms subject as to enforceability to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally; (iv) to the best knowledge and belief of such counsel after due inquiry, except as set forth in a schedule furnished to Lessor, there are no suits or proceedings pending or threatened in any court or before any regulatory commission, board or other administrative governmental agency against or affecting the Lessee which, in the opinion of such counsel, will have a material adverse effect on the financial condition or business of Lessee; (v) neither the execution and delivery by the Lessee of the Lease, the Finance Agreement or the Security Documents, nor any of the transactions contemplated thereby require the consent, approval, or authorization, or the giving of notice to the Interstate Commerce Commission or any other governmental authority; (vi) except for the filing and recording with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act of the Lease, no recording or filing of the Lease, or of any financing statement with respect thereto, is necessary under the laws of the United States of America or any state thereof in order to protect the Lessor's title to, and interest in, any of the Units as against the Lessee and any third parties in any applicable jurisdictions within the United States; (vii) the Reconstruction Cost of the Units pursuant to the Security Documents constitutes "new section 38 property" as defined in the Internal Revenue Code of 1954, as amended; and (viii) registration of the Security Docu-

ments or any interest therein held by the Investors or of the interest of the Bank in the Trust are exempted transactions under the Securities Act of 1933 as amended and it is not necessary to qualify the Security Documents or the Trust Agreement under the Trust Indenture Act of 1939 as amended. In giving his opinion specified in (vii) above, such counsel may rely on the opinion of Messrs. White & Case given pursuant to Subsection (h) of this Section 26, and in giving his opinion specified in (viii) above, such counsel may rely on the opinion of Messrs. Cravath, Swaine & Moore given pursuant to Subsection (j) of this Section 26.

(g) The Bank shall have received a favorable opinion from Messrs. White & Case, as counsel for the Lessor, dated such Closing Date, addressed to and in form and substance satisfactory to the Bank, to the effect that: (i) Lessor has full power, authority and legal right to execute, deliver and perform the Trust Agreement, the Lease, the Certificate of Acceptance covering such Units and the Security Documents; (ii) the documents referred to in (i) above have been duly authorized, executed and delivered by the Lessor; (iii) the execution and delivery of the documents referred to in (i) above by the Lessor does not violate the charter or by-laws of the Lessor or any Federal or New York State laws or regulations governing the banking or trust powers of the Lessor or, to the best knowledge and belief of such counsel after due inquiry, of any indenture, agreement, or other instrument, license, judgment or order applicable to the Lessor; (iv) no approval, consent, order, authorization, registration or notice is required (except as shall have been duly obtained or given, specifying the same) for the carrying out by the Lessor of any of the transactions con-

templated by the agreements referred to in (i) above or by any (X) Federal governmental authority or agency pursuant to any Federal law governing the banking or trust powers of the Lessor or (Y) New York State governmental authority or agency pursuant to New York State banking law; and (v) such other matters incident to the foregoing as the Bank may reasonably request.

(h) The Bank shall have received a favorable opinion of Messrs. White & Case, as special tax counsel to the Bank, dated such Closing Date, addressed to and in form and substance satisfactory to the Bank, to the effect that for federal income tax purposes: (i) the Lease will be treated as a lease under which Chicago and North Western Railway Company will be the lessee and the Bank will be the owner and the lessor of the Units; (ii) the Bank will be treated as the original user of the Units to the extent of that portion of the Acquisition Price of such Units which is properly attributable to the Reconstruction Cost incurred after the Bank acquired the Units; (iii) the Reconstruction Cost will qualify as "new section 38 property" for purposes of investment credit and the Bank is entitled to claim the investment credit under Section 38 of the Internal Revenue Code of 1954, as amended (the "Code") and the regulations thereunder, subject to the limitations of Section 46(a)(2) of the Code; (iv) the Bank will be entitled to elect to use any of the methods of accelerated depreciation described in Section 167(b)(2) or (3) of the Code with respect to that portion of the Acquisition Price of any Unit which constitutes the Reconstruction Cost and the original use of which is considered to commence with the Bank as described above in clause (ii); (v) the Bank will be entitled to depreciation deductions under any allowable method other than accelerated methods

for that portion of the Acquisition Price of any Unit for which the original use is not deemed to have commenced with the Bank and which does not qualify for the investment credit and (vii) the Bank will be entitled to deductions for interest payable by it pursuant to the Security Documents.

(i) The Lessor and the Bank shall have received a favorable opinion of the Vice President—Law of the Seller, dated such Closing Date, addressed to and in form and substance satisfactory to the Lessor and the Bank to the effect that: (i) Seller has the full power, authority and legal right to enter into and perform the the Hulk Purchase Agreement and it constitutes the legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with the terms thereof subject as to enforceability to any applicable bankruptcy, insolvency or other laws affecting creditors' rights generally, (ii) the Seller's Bills of Sale for each Unit constitute effective instruments for the conveyance of title for such Unit to the Lessor, (iii) good and marketable title to the hulks has been duly conveyed by Seller to Lessor under the Hulk Purchase Agreement prior to the commencement of reconstruction of the hulks, and (iv) good and marketable title to such Units has been duly conveyed by Seller to the Lessor free and clear of all charges, encumbrances, claims and security interests of any kind.

(j) The Bank shall have received a copy of the opinion of Messrs. Cravath, Swaine & Moore, as special counsel for the Vendor and the Investors, in form and substance as required by Article 3 of the Security Documents.

(k) All proceedings and documents in connection with the transactions contemplated by this Lease shall

be satisfactory in form and substance to the Bank and its counsel and the Bank and its counsel shall have received counterparts or copies of all such documents together with such other evidence as the Bank or such counsel may reasonably request in order to establish the consummation of the transactions contemplated by this Lease and compliance with the conditions set forth in this Section.

In the event of any assignment by Lessee pursuant to Section 19, the conditions to be met and the opinions prescribed in this Section 26 may be accomplished by the assignee and its appropriate officers, and such conditions and opinions may reflect such changes as may be appropriate due to such assignment.

SECTION 27. NOTICES. All notices required under the terms and provisions hereof shall be in writing, and any such notice shall become effective when delivered or deposited in the United States mail, with proper postage for certified mail prepaid, addressed, if to Lessee, at 400 West Madison Street, Chicago, Illinois 60606, Attention: Vice President—Finance, and if to Lessor addressed to it at its office at 16 Wall Street, New York, New York 10015, Attention: Corporate Trust Division, or, as to either party, at such other address as such party shall from time to time designate in writing to the other party. Copies of all such notices shall be mailed to the Bank at 231 South LaSalle Street, Chicago, Illinois 60093, Attention: Terrence J. Bruggeman.

SECTION 28. MISCELLANEOUS. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without in-

validating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law Lessee hereby waives any provision of law which renders any provision hereof prohibited or unenforceable in any respect or which might require Lessor to mitigate damages other than as expressly provided herein. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in any Unit except as a Lessee only. All computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of a 360-day year. The captions in this Lease are for convenience of reference only and shall not define or limit any of the terms or provisions hereof. This Lease shall in all respects be governed by, and construed in accordance with, the laws of the State of New York, including all matters of construction, validity and performance. Although this Lease is dated as of February 1, 1972 for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgements hereto annexed.

IN WITNESS WHEREOF, the parties hereto have executed
or caused this instrument to be executed all as of the date
first above written.

CHICAGO AND NORTH WESTERN RAILWAY
COMPANY,

By *[Signature]*
Vice President

[CORPORATE SEAL]

Attest:

..... *[Signature]*
Assistant Secretary

BANKERS TRUST COMPANY, as Trustee

By *[Signature]*
Vice President

[CORPORATE SEAL]

Attest:

..... *[Signature]*
Assistant Secretary

STATE OF ILLINOIS }
COUNTY OF COOK } ss.:

On this 9th day of May, 1972, before me personally appeared J. M. Butler, to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN RAILWAY COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

..... F. J. Brey
Notary Public

My Commission expires May 19, 1974

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

On this 12th day of May, 1972, before me personally appeared John J. Brennan, to me personally known, who, being by me duly sworn, says that he is a Vice President of BANKERS TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[NOTARIAL SEAL]

..... Phyllis Buckner
Notary Public

My Commission expires

PHYLLIS BUCKNER
Notary Public, State of New York
No. 22485-100
Qualified in 1967
Certificate filed in 1967
Commission Expires March 20, 1972

SCHEDULE A TO LEASE AGREEMENT

Quantity	Description of Equipment	Railroad's Road Numbers (inclusive) *	Hulk Purchase Price		Base Reconstruction Cost		Purchase Price	
			Per Unit	Total	Per Unit	Total	Per Unit	Total
10	EMD- Diesel F7 Locomotives	415, 417-425	\$22,000	\$ 220,000	\$113,741.90	\$1,137,419	\$135,741.90	\$1,357,419
9	EMD- Diesel GP9R Locomotives	4301-4309	40,000	360,000	106,255.33	956,298	146,255.33	1,316,298
3	EMD- Diesel GP9 Locomotives	4501-4503	45,000	135,000	106,255.33	318,766	151,255.33	453,766
7	EMD- Diesel GP9 Locomotives	4320-4326	45,000	315,000	98,865.28	692,057	143,865.28	1,007,057
6	EMD- Diesel SD7 Locomotives	6616-6621	40,000	240,000	120,665.50	723,993	160,665.50	963,993
10	EMD- Diesel GP7 Locomotives	4310-4319	35,000	350,000	105,146.70	1,051,467	140,146.70	1,401,467
				<u>\$1,620,000</u>		<u>\$4,880,000</u>		<u>\$6,500,000</u>

SCHEDULE A TO LEASE AGREEMENT—(Continued)

Specifications

The Railroad will repair and reconstruct the Units in accordance with AAR rules and to conform with the United States Safety Appliance standards and Department of Transportation locomotive inspection rules and regulations and otherwise in accordance with this Agreement, including the following:

- (1) Stripping of locomotive,
- (2) Removal of engine, main generator, auxiliary generator and traction motors,
- (3) Rebuilding of engine, main generator, auxiliary generator and traction motors (work to be performed by qualified subcontractor),
- (4) Installation of rebuilt engine, main generator, auxiliary generator and traction motors,
- (5) Rewiring of low and high voltage circuitry,
- (6) Installation of new design control stand and control equipment,
- (7) Installation of 26-L brake equipment,
- (8) Modification of car body to incorporate low profile front hood (SD-7, GP-7, GP-9R, and GP-9 units only),
- (9) Installation of snow plows to front end of unit (SD-7, GP-7, GP-9R and GP-9 units only),
- (10) Removal of Cummins diesel engines and 440 volt alternators (F-7 units only),
- (11) Rebuilding of Cummins diesel engines and 440 volt alternators (F-7 units only),
- (12) Installation of rebuilt Cummins diesel engines and 440 alternator (F-7 units only),
- (13) Installation of chemical toilet units,
- (14) Overhauling of trucks,
- (15) Repairing of unit body and underframe as required, and
- (16) Scraping, painting and stenciling.

**EXHIBIT A
TO
LEASE AGREEMENT**

CERTIFICATE OF ACCEPTANCE

This CERTIFICATE OF ACCEPTANCE, dated as of _____, 1972, executed and delivered by Chicago and North Western Railway Company, a Wisconsin corporation ("Lessee") to Bankers Trust Company, as Trustee under the Trust Agreement dated as of January 12, 1972 (the "Trust Agreement"), between the Owner named therein and said Trustee (herein, in its capacity as such Trustee, being called "Lessor") and to The First Pennsylvania Banking and Trust Company, as agent under the Finance Agreement dated as of February 1, 1972,

W I T N E S S E T H :

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement dated as of February 1, 1972 (herein called the "Lease" and the terms defined therein being hereinafter used with the same meaning), which Lease provides for the execution and delivery from time to time of Certificates of Acceptance substantially in the form hereof for the purpose of confirming delivery and acceptance of the Units leased under the Lease;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessee hereby confirms and agrees as follows:

1. Lessee hereby accepts and leases from Lessor under the Lease, the Units or Unit (the "Delivered Unit") which are described below:

<u>Description of Unit</u>	<u>Lessor's Road Numbers</u>	<u>Acquisition Price of Unit</u>
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As authorized representative of the Lessor, the Delivered Units are also hereby accepted on behalf of the Lessor under the Security Documents.

2. The Acceptance Date of the Delivered Unit is the date of this Certificate of Acceptance set forth in the opening paragraph hereof.

3. Lessee hereby confirms to Lessor and Vendor that the Delivered Unit has been duly inspected in accordance with Section 2 of the Lease and Article 2 of the Security Documents and duly marked in accordance with the terms of Section 4 of the Lease and Article 9 of the Security Documents and that Lessee has accepted the Delivered Unit for all purposes hereof and of the Lease and Lessor has accepted the Delivered Units for all purposes hereof and of the Security Documents; provided, however, that nothing contained herein or in the Lease shall in any way diminish or otherwise affect any right which Lessee or Lessor may have with respect to the Delivered Unit against the Railroad or any subcontractor of the Railroad under the Security Documents.

IN WITNESS WHEREOF, Lessee has caused this Certificate of Acceptance to be duly executed as of the day and year first above written and to be delivered in the State of New York.

CHICAGO AND NORTH WESTERN
RAILWAY COMPANY, as Lessee

By
(Title)